

CITY OF SUMNER, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2022

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City of Sumner

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Billy Lehmkuhl	Mayor	Jan 2022
George Heying	Mayor Pro Tem	Jan 2024
Brian Bockhaus	Council Member	Jan 2022
Brock Rettinger	Council Member	Jan 2024
Darren Paulus	Council Member	Jan 2022
Stacie Schroeder	Council Member	Jan 2022
Lisa Oberbroeckling	City Clerk	Indefinite
Pat Dillon	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Billy Lehmkuhl	Mayor	Jan 2024
George Heying	Mayor Pro Tem	Jan 2024
Brian Bockhaus	Council Member	Jan 2026
Brock Rettinger	Council Member	Jan 2024
Darren Paulus	Council Member	Jan 2026
Stacie Schroeder	Council Member	Jan 2026
Lisa Oberbroeckling	City Clerk	Indefinite
Pat Dillon	Attorney	Indefinite

City of Sumner

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:
City of Sumner, Iowa

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, Iowa, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the basic financial statements of the City of Sumner, Iowa's primary government as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Sumner as of June 30, 2022, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Sumner, Iowa, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the City of Sumner, which consists of all funds, departments and offices that comprise the City of Sumner's legal entity.

These primary government financial statements do not include financial data for the Sumner Municipal Light Plant (Utility), a legally separate entity which should be reported as a discretely presented component unit of the primary government of the City of Sumner. The financial statements do not include financial data for the Utility because the Utility's year end is December 31, and it reports on the accrual basis of accounting. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Sumner, as of June 30, 2022, in accordance with the cash basis of accounting. My opinions are not modified with respect to this matter.

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City of Sumner, as of and for the year ended June 30, 2022, and my report thereon, expressed unmodified opinions on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sumner's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the City of Sumner's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sumner's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sumner's basic financial statements. I previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the three years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The financial statements for the six years ended June 30, 2018 (which are not presented herein) were audited by other auditors who expressed an adverse opinion on the discretely presented component units due to the omission of the Sumner Municipal Light Plant from the City's financial statements and unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the two years ended June 30, 2018 and June 30, 2017 and unmodified opinions on the governmental activities, the business type activities, each major enterprise fund and the aggregate remaining fund information of the City's financial statements for the four years ended June 30, 2016. The supplementary information included on pages 26 and 27, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

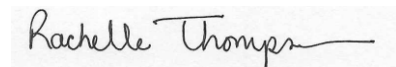
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of city contributions on pages 21 through 25 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 12, 2023 on my consideration of the City of Sumner's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sumner's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rachelle Thompson". The signature is written in dark ink on a light-colored background.

RACHELLE K. THOMPSON, CPA
Hampton, Iowa

June 12, 2023

Basic Financial Statements

City of Sumner - Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental Activities							
Public safety	\$ 524,096	\$ 45,155	\$ -	\$ -	\$ (478,941)	\$ -	\$ (478,941)
Public works	406,628	-	287,870	-	(118,758)	-	(118,758)
Culture and recreation	547,989	54,882	185,937	-	(307,170)	-	(307,170)
Community and economic development	212,376	-	-	36,835	(175,541)	-	(175,541)
General government	505,808	22,644	-	-	(483,164)	-	(483,164)
Debt service	292,915	-	-	-	(292,915)	-	(292,915)
Capital projects	385,815	-	-	-	(385,815)	-	(385,815)
Total Governmental Activities	2,875,627	122,681	473,807	36,835	(2,242,304)	-	(2,242,304)
Business Type Activities							
Water	307,807	297,964	-	-	-	(9,843)	(9,843)
Sewer	527,702	510,581	-	-	-	(17,121)	(17,121)
Sanitation	201,912	248,031	-	-	-	46,119	46,119
Storm water	4,487	81,311	-	-	-	76,824	76,824
Total Business Type Activities	1,041,908	1,137,887	-	-	-	95,979	95,979
Total	3,917,535	1,260,568	473,807	36,835	(2,242,304)	95,979	(2,146,325)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					822,843	-	822,843
Debt service					138,200	-	138,200
Tax increment financing					106,404	-	106,404
Local option sales tax					293,147	-	293,147
Grants and contributions not restricted to specific purpose					31,231	-	31,231
Commercial/industrial tax replacement					19,870	-	19,870
American Rescue Plan Act					146,192	-	146,192
Unrestricted interest on investments					13,739	851	14,590
Miscellaneous					209,860	38,786	248,646
Transfers					95,977	(95,977)	-
Total General Receipts and Transfers					1,877,463	(56,340)	1,821,123
Change in cash basis net position					(364,841)	39,639	(325,202)
Cash Basis Net Position Beginning of Year					3,022,388	638,919	3,661,307
Cash Basis Net Position End of Year					\$ 2,657,547	\$ 678,558	\$ 3,336,105
Cash Basis Net Position							
Restricted:							
Nonexpendable - Cemetery Perpetual Care					\$ 77,286	\$ -	\$ 77,286
Expendable:							
Streets					729,352	-	729,352
Urban renewal purposes					96,310	-	96,310
Debt service					56,163	59,535	115,698
Other purposes					861,104	55,060	916,164
Unrestricted					837,332	563,963	1,401,295
Total Cash Basis Net Position					\$ 2,657,547	\$ 678,558	\$ 3,336,105

See notes to financial statements.

City of Sumner - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Governmental Funds

As of and for the year ended June 30, 2022

	Special Revenue			Debt Service	Capital Projects		Nonmajor Governmental	Total
	General	Road Use Tax	Local Option Sales Tax		2017 Flood	Detention Basin		
Receipts								
Property tax	\$ 660,341	\$ -	\$ -	\$ 138,200	\$ -	\$ -	\$ 164,534	\$ 963,075
Tax increment financing	-	-	-	-	-	-	106,404	106,404
Other city tax	-	-	293,148	-	-	-	-	293,148
Licenses and permits	22,644	-	-	-	-	-	-	22,644
Use of money and property	10,896	-	1,736	-	-	854	252	13,738
Intergovernmental	46,827	280,565	-	-	36,834	490	-	364,716
Charges for services	210,142	-	-	-	-	-	-	210,142
Miscellaneous	410,647	-	28,695	-	-	-	1,600	440,942
Total Receipts	1,361,497	280,565	323,579	138,200	36,834	1,344	272,790	2,414,809
Disbursements								
Operating:								
Public safety	478,426	-	-	-	-	-	45,669	524,095
Public works	38,594	317,429	-	-	-	-	50,605	406,628
Culture and recreation	504,183	-	-	-	-	-	43,807	547,990
Community and economic development	-	-	-	-	185,776	-	26,600	212,376
General government	457,038	-	-	-	-	-	48,770	505,808
Debt service	-	-	-	292,915	-	-	-	292,915
Capital projects	-	-	131,345	-	-	254,470	-	385,815
Total Disbursements	1,478,241	317,429	131,345	292,915	185,776	254,470	215,451	2,875,627
Excess (Deficiency) of Receipts Over (Under)								
Disbursements	(116,744)	(36,864)	192,234	(154,715)	(148,942)	(253,126)	57,339	(460,818)
Other Financing Sources (Uses)								
Interfund loan (repayment)	-	-	36,763	-	-	-	(36,763)	-
Transfers in	96,196	-	147,901	173,457	-	146,192	-	563,746
Transfers out	(146,192)	(27,996)	(72,196)	-	-	(148,896)	(72,489)	(467,769)
Total Other Financing Sources (Uses)	(49,996)	(27,996)	112,468	173,457	-	(2,704)	(109,252)	95,977
Change in Cash Balances	(166,740)	(64,860)	304,702	18,742	(148,942)	(255,830)	(51,913)	(364,841)
Cash Balances Beginning of Year	1,004,072	158,199	331,311	37,421	572,225	462,155	457,005	3,022,388
Cash Balances End of Year	\$ 837,332	\$ 93,339	\$ 636,013	\$ 56,163	\$ 423,283	\$ 206,325	\$ 405,092	\$ 2,657,547
Cash Basis Fund Balances								
Non-spendable-Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,286	\$ 77,286
Restricted for:								
Debt service	-	-	-	56,163	-	-	-	56,163
Streets	-	93,339	636,013	-	-	-	-	729,352
Urban renewal	-	-	-	-	-	-	96,310	96,310
Other purposes	-	-	-	-	423,283	206,325	231,496	861,104
Unassigned	837,332	-	-	-	-	-	-	837,332
Total Cash Basis Fund Balances	\$ 837,332	\$ 93,339	\$ 636,013	\$ 56,163	\$ 423,283	\$ 206,325	\$ 405,092	\$ 2,657,547

See notes to financial statements.

City of Sumner - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Enterprise Funds

As of and for the year ended June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Nonmajor Storm Water</u>	<u>Total</u>
Operating Receipts:					
Charges for Service	<u>\$ 297,964</u>	<u>\$ 510,581</u>	<u>\$ 248,031</u>	<u>\$ 81,311</u>	<u>\$ 1,137,887</u>
Operating Disbursements:					
Business Type Activities	<u>235,627</u>	<u>293,102</u>	<u>201,912</u>	<u>4,487</u>	<u>735,128</u>
Excess of Operating Receipts Over Operating Disbursements	<u>62,337</u>	<u>217,479</u>	<u>46,119</u>	<u>76,824</u>	<u>402,759</u>
Non-Operating Receipts (Disbursements)					
Interest on investments	124	727	-	-	851
Miscellaneous	10,800	-	27,986	-	38,786
Debt service	<u>(72,180)</u>	<u>(234,600)</u>	<u>-</u>	<u>-</u>	<u>(306,780)</u>
Net Non-Operating Receipts (Disbursements)	<u>(61,256)</u>	<u>(233,873)</u>	<u>27,986</u>	<u>-</u>	<u>(267,143)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>1,081</u>	<u>(16,394)</u>	<u>74,105</u>	<u>76,824</u>	<u>135,616</u>
Other Financing Sources (Uses)					
Transfers in	995	-	-	-	995
Transfers out	<u>(24,731)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>(56,241)</u>	<u>(96,972)</u>
Total Other Financing Sources (Uses)	<u>(23,736)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>(56,241)</u>	<u>(95,977)</u>
Change in Cash Balances	(22,655)	(24,394)	66,105	20,583	39,639
Cash Balances Beginning of Year	<u>168,531</u>	<u>170,808</u>	<u>202,277</u>	<u>97,303</u>	<u>638,919</u>
Cash Balances End of Year	<u>\$ 145,876</u>	<u>\$ 146,414</u>	<u>\$ 268,382</u>	<u>\$ 117,886</u>	<u>\$ 678,558</u>
Cash Basis Fund Balances					
Restricted for other purposes	\$ 55,060	\$ -	\$ -	\$ -	\$ 55,060
Unassigned	<u>90,816</u>	<u>146,414</u>	<u>268,382</u>	<u>117,886</u>	<u>623,498</u>
Total Cash Basis Fund Balances	<u>\$ 145,876</u>	<u>\$ 146,414</u>	<u>\$ 268,382</u>	<u>\$ 117,886</u>	<u>\$ 678,558</u>

See notes to financial statements.

City of Sumner – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Sumner is a political subdivision of the State of Iowa located in Bremer and Fayette Counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, and sanitation utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Sumner has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Sumner (the primary government), and its component units. The financial statements do not include financial data for Sumner Municipal Light Plant (Utility), a legally separate entity which should be reported as a discretely presented component unit, because the Utility reports in accordance with accounting principal generally accepted in the United States, a different financial reporting framework than the City's cash basis of accounting.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Bremer County Assessor's Conference Board, Bremer County Emergency Management and East Bremer Regional Recycling Association.

Basis of Presentation

Government-wide Financial Statement – The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

City of Sumner – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The cash basis statement of activities and net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue

The *Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The *Local Option Sales Tax Fund* is used to account for the collection of the one percent sales tax and its uses.

The *Debt Service Fund* is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

Capital Projects

The *2017 Flood Fund* is used to account for all resources used in the acquisition and demolition of property damaged in the 2017 flood.

The *Detention Basin Fund* is used to account for all resources used in the acquisition and construction of street, water system, storm water drainage, sidewalk and sanitary sewer improvements.

The City reports the following major proprietary funds:

The *Enterprise, Water Fund* accounts for the operation and maintenance of the City's water system.

The *Enterprise, Sewer Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The *Enterprise, Sanitation Fund* accounts for the operation and maintenance of the City's sanitation system.

City of Sumner – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the community and economic development, general government and debt service functions.

City of Sumner – Notes to the Financial Statements

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2022, the City had only checking and savings accounts and certificates of deposit.

(3) Bonds and Loans Payable

A summary of changes in bonds and loans payable for the year ended June 30, 2022 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation Bonds	\$ 2,905,000	\$ -	\$ 235,000	\$ 2,670,000	\$ 235,000
Community Disaster Loans	800,000	-	50,000	750,000	50,000
Internal Loans	36,763	-	36,763	-	-
Governmental activities total	\$ 3,741,763	\$ -	\$ 321,763	\$ 3,420,000	\$ 285,000
Business type activities					
Sewer Revenue Bonds	\$ 1,125,000	\$ -	\$ 212,000	\$ 913,000	\$ 219,000
Water Revenue Bonds	1,059,000	-	51,000	1,008,000	52,000
Business type activities total	\$ 2,184,000	\$ -	\$ 263,000	\$ 1,921,000	\$ 271,000

General Obligation Corporate Purpose Bonds

A summary of the City's June 20, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose, Series 2015 Issued October 21, 2015			Urban Renewal, 2020A Issued March 31, 2020			Corporate Purpose, 2020B Issued March 31, 2020			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2023	2.10%	\$ 55,000	\$ 5,295	2.00%	\$ 125,000	\$ 35,200	1.20%	\$ 55,000	\$ 11,570	\$ 235,000	\$ 52,065
2024	2.10%	60,000	4,140	2.00%	130,000	32,700	1.30%	55,000	10,910	245,000	47,750
2025	2.40%	60,000	2,880	2.00%	135,000	30,100	1.30%	55,000	10,195	250,000	43,175
2026	2.40%	60,000	1,440	2.00%	135,000	27,400	1.40%	60,000	9,480	255,000	38,320
2027	-	-	-	2.00%	140,000	24,700	1.40%	60,000	8,640	200,000	33,340
2028-2032	-	-	-	2.00%	760,000	79,800	2.00%	320,000	26,700	1,080,000	106,500
2033-2037	-	-	-	2.00%	335,000	10,100	2.00%	70,000	1,400	405,000	11,500
Total		<u>\$ 235,000</u>	<u>\$ 13,755</u>		<u>\$ 1,760,000</u>	<u>\$ 240,000</u>		<u>\$ 675,000</u>	<u>\$ 78,895</u>	<u>\$ 2,670,000</u>	<u>\$ 332,650</u>

City of Sumner – Notes to the Financial Statements

(3) Bonds and Loans Payable

The City issued \$550,000 of general obligation corporate purpose bonds, series 2015 in October 2015, for the purpose of constructing water system improvements and constructing, furnishing and equipping a municipal building and recycling center. Interest rates on the notes varies between 1.80% and 2.40%. During the year ended June 30, 2022, the City paid \$55,000 of principal and \$6,285 of interest on the bonds.

The City issued \$2,000,000 of general obligation urban renewal bonds, series 2020A in March 2020, for the purpose of constructing street, water system, storm water drainage, sidewalk and sanitary sewer improvements, acquiring and installing street lighting, signage and signalization improvements, and acquiring, demolishing and restoring flood-damaged and dilapidated properties. Interest rates on the notes are 2.00%. During the year ended June 30, 2022, the City paid \$125,000 of principal and \$37,700 of interest on the bonds.

The City issued \$730,000 of general obligation corporate purpose bonds, series 2020B in March 2020, for the purpose of constructing street, water system, storm water drainage, sidewalk and sanitary sewer improvements, acquiring and installing street lighting, signage and signalization improvements, and acquiring, demolishing and restoring flood-damaged and dilapidated properties. Interest rates on the notes varies between 1.20% and 2.00%. During the year ended June 30, 2022, the City paid \$55,000 of principal and \$12,230 of interest on the bonds.

Community Disaster Loans

A summary of the City's June 30, 2022 community disaster loans payable is as follows:

Year Ending June 30,	Community Disaster Loan Issued September 18, 2017		
	Interest Rate	Principal	Interest
2023	0.00%	\$ 50,000	\$ -
2024	0.00%	50,000	-
2025	0.00%	50,000	-
2026	0.00%	50,000	-
2027	0.00%	50,000	-
2028-2032	0.00%	250,000	-
2033-2037	0.00%	250,000	-
Total		<u>\$ 750,000</u>	<u>\$ -</u>

On July 22, 2017, a flood caused the Sumner Municipal Light Plant (SMLP), a component unit of the City, to suffer damage and lost its ability to provide electricity to the City. In order for the City to help with the electrical needs of the residents and businesses, it borrowed \$1,000,000 from the State of Iowa Economic Emergency Fund on September 18, 2017 and then loaned the money to the SMLP. The loan is to be repaid over the next twenty years at \$50,000 per year with no interest. The SMLP will repay the loan to the City under the same terms. During the year ended June 30, 2022, the City paid \$50,000 of principal and was reimbursed the same amount from SMLP.

As a result of the flood on July 22, 2017, the City also received a zero interest \$499,695 community disaster loan through the Federal Emergency Management Agency (FEMA) in January 2020. The loan covers lost revenue in the three fiscal years succeeding the disaster. FEMA will monitor the City's revenue through June 30, 2022, and if operating revenue is within FEMA's guidelines, the loan will be forgiven. During the year ended June 30, 2022, the City did not pay any principal or interest on this loan.

City of Sumner – Notes to the Financial Statements

(3) Bonds and Loans Payable

Revenue Bonds

A summary of the City's June 30, 2022 revenue bonds payable is as follows:

Year Ending June 30,	Sewer Revenue, Series 2003 Issued October 27, 2003			Sewer Revenue, Series 2016 Issued April 8, 2016			Water Revenue, Series 2019 Issued October 4, 2019			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2023	1.75%	\$ 185,000	\$ 6,580	1.75%	\$ 34,000	\$ 9,485	1.75%	\$ 52,000	\$ 17,640	\$ 271,000	\$ 33,705
2024	1.75%	191,000	3,343	1.75%	35,000	8,890	1.75%	52,000	16,730	278,000	28,963
2025	-	-	-	1.75%	35,000	8,278	1.75%	53,000	15,820	88,000	24,098
2026	-	-	-	1.75%	36,000	7,665	1.75%	54,000	14,893	90,000	22,558
2027	-	-	-	1.75%	37,000	7,035	1.75%	55,000	13,948	92,000	20,983
2028-2032	-	-	-	1.75%	195,000	25,288	1.75%	290,000	54,952	485,000	80,240
2033-2037	-	-	-	1.75%	165,000	7,527	1.75%	317,000	28,683	482,000	36,210
2038-2039	-	-	-	-	-	-	1.75%	135,000	3,553	135,000	3,553
Total		<u>\$ 376,000</u>	<u>\$ 9,923</u>		<u>\$ 537,000</u>	<u>\$ 74,168</u>		<u>\$ 1,008,000</u>	<u>\$ 166,219</u>	<u>\$ 1,921,000</u>	<u>\$ 250,310</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,914,000 in sewer revenue bonds issued in October 2003, and an additional \$736,660 of sewer revenue bonds issued in April 2016. Proceeds from the bonds provided financing for the construction of improvements and updates to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2036. Annual principal and interest payments on the bonds are expected to require a majority of net sewer receipts. The total principal and interest remaining to be paid on the bonds is \$913,000 and \$84,091, respectively. For the year ended June 30, 2022, total principal and interest paid and total customer net receipts were \$231,776 and \$217,479, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- Sufficient monthly transfers shall be made to the sewer revenue note sinking accounts within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,172,833 of water revenue bonds issued in October 2019. Proceeds from the bonds provided financing for a portion of the cost of planning, designing and constructing improvements and extensions to the City's municipal waterworks system. The bonds are payable solely from water customer net receipts and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$1,008,000 and \$166,219, respectively. For the current year, principal and interest paid and total customer net receipts were \$69,533 and \$62,337, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the enterprise activity and bond holders hold a lien on the future earnings of the fund.
- Sufficient monthly transfers shall be made to separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

City of Sumner – Notes to the Financial Statements

(3) Bonds and Loans Payable

Interfund Loans

During the year ended June 30, 2022, interfund loan principal and interest totaling \$36,763 and \$0, respectively, were paid and the balance was paid off.

Security Agreement

During the year ended June 30, 2022, the City signed a security agreement with the Rural Fire Association. The City and the Rural Fire Association agreed to each pay 50% of the cost to purchase a Reliant Fire Apparatus. The Rural Fire Association is financing their share of the purchase and the apparatus is listed as collateral for the debt.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who

City of Sumner – Notes to the Financial Statements

(4) Pension Plan

began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$58,508.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$365,876 for its proportionate share of the collective net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.0279483%, which was an increase of 0.021632% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$86,699, \$76,494 and \$95,672, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

City of Sumner – Notes to the Financial Statements

(4) Pension Plan

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	4.43%
International Equity	17.5	6.01
Global Smart Beta Equity	6.0	5.10
Core Plus Fixed Income	26.0	0.29
Public Credit	4.0	2.08
Cash	1.0	(0.25)
Private Equity	13.0	9.51
Private Real Assets	7.5	4.63
Private Credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$750,739	\$365,876	\$ 43,183

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Sumner – Notes to the Financial Statements

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$111,453 and plan members eligible for benefits contributed \$19,661 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Sumner and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants are eligible to participate at their own expense and must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2022, there were 11 active and 1 retired member covered by the benefit terms.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is accumulated for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation leave payable to employees at June 30, 2022, primarily relating to the General Fund, was \$24,000. This liability has been computed based on rates of pay in effect at June 30, 2022.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Local Option Sales Tax	\$ 72,196
	Enterprise	
	Water	8,000
	Sewer	8,000
	Sanitation	<u>8,000</u>
		<u>96,196</u>
Special Revenue	Capital Projects	
Local Option Sales Tax	Detention Basin	<u>147,901</u>
Debt Service	Special Revenue	
	Road Use Tax	27,996
	Urban Renewal Tax Increment	72,489
	Enterprise	
	Water	16,731
	Storm Water	<u>56,241</u>
		<u>173,457</u>
Capital Projects		
Detention Basin	General	<u>146,192</u>

City of Sumner – Notes to the Financial Statements

(7) Interfund Transfers

Enterprise Water	Capital Project Detention Basin	995
Total		<u>\$ 564,741</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Sumner is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Conduit Debt Obligations

The City has issued hospital facility project bonds to provide interim financing for a portion of the costs of acquiring, constructing, equipping and furnishing a replacement hospital, including ancillary parking areas, landscaping and associated site work and buildings and to refund previous issues of Hospital Revenue Bonds. The bonds are payable solely from and secured by the proceeds of the completion bonds, payments, revenue and other amounts derived from the Hospital and do not constitute liabilities of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2022, there were two series of hospital facility project bonds outstanding with an aggregate principal amount payable of \$15,616,401.

The City has also issued electric revenue capital loan notes for the purpose of paying the costs of improvements and extensions to the municipal electric utility plant. The bond and related interest are payable solely from the revenue derived from the project and the bond and interest do not constitute liabilities of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2022, there were three series of electric revenue capital loan notes outstanding, with an aggregate principal amount payable of \$12,685,000.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, \$16,298 of property tax was diverted from the City under urban renewal and economic development agreements.

City of Sumner – Notes to the Financial Statements

(10) Tax Abatements

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2022 as a result of any agreements entered into by other entities.

(11) Development and Incentive Agreements

The City has entered into a development agreement with Cobblestone Holdings, LLC (developer) for the construction of an assisted living facility with a minimum assessed value of \$2.6 million. The City agreed to pay the developer an amount not to exceed \$150,000 subject to annual appropriation by the City Council. The agreement requires up to ten semi-annual payments, provided the developer is in compliance with terms of the agreement. The City paid \$26,599 to the developer in property tax rebates and the remaining balance was \$36,857 as of June 30, 2022.

The City has entered into an incentive agreement with Turf and Landscape (employer) providing incentive payments for up to 15 certified employees who are certified during the calendar years 2018 – 2021, and a 100% property tax rebate for the first five years up to a maximum total benefit of \$35,000 of tax rebated. For the year ended June 30, 2022, the City paid a tax rebate of \$3,206. The City did not make any incentive payments during the year ended June 30, 2022.

(12) Commitments

During the year ended June 30, 2022, the City Council approved contracts totaling approximately \$400,000 for a walking trail bridge, engineering of a bridge project and a demolition program on flood damaged properties. As of June 30, 2022, approximately \$90,000 remained to be completed on these projects.

(13) Subsequent Events

Management has evaluated subsequent events through June 12, 2023, the date the financial statements were available to be issued.

On September 6, 2022, the City awarded a FEMA Flood Mitigation grant for phase 2 of the water detention project in the amount of \$3,165,279 - 90% of the estimated cost from federal dollars and \$31,800 – 10% of the estimated cost from state funds.

(14) Contingency

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Sumner, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Sumner. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Sumner.

Other Information

City of Sumner - Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgtd Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 963,075	\$ -	\$ 963,075	\$ 953,732	\$ 953,732	\$ 9,343
Tax increment financing	106,404	-	106,404	106,763	106,763	(359)
Other city tax	293,148	-	293,148	254,801	254,801	38,347
Licenses and permits	22,644	-	22,644	6,350	6,350	16,294
Use of money and property	13,738	851	14,589	48,100	91,100	(76,511)
Intergovernmental	364,716	-	364,716	483,502	660,502	(295,786)
Charges for services	210,142	1,137,887	1,348,029	1,137,500	1,147,500	200,529
Miscellaneous	440,942	38,786	479,728	162,250	187,250	292,478
Total Receipts	2,414,809	1,177,524	3,592,333	3,152,998	3,407,998	184,335
Disbursements						
Public safety	524,095	-	524,095	378,350	637,972	113,877
Public works	406,628	-	406,628	318,000	408,000	1,372
Culture and recreation	547,990	-	547,990	548,775	671,775	123,785
Community and economic development	212,376	-	212,376	50,000	105,890	(106,486)
General government	505,808	-	505,808	342,100	477,100	(28,708)
Debt service	292,915	306,780	599,695	341,715	350,000	(249,695)
Capital Projects	385,815	-	385,815	100,000	409,000	23,185
Business type activities	-	735,128	735,128	895,710	1,012,710	277,582
Total Disbursements	2,875,627	1,041,908	3,917,535	2,974,650	4,072,447	154,912
Excess (Deficiency) of Receipts Over (Under) Disbursements	(460,818)	135,616	(325,202)	178,348	(664,449)	339,247
Other financing sources, net	95,977	(95,977)	-	-	-	-
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(364,841)	39,639	(325,202)	178,348	(664,449)	339,247
Balances Beginning of Year	3,022,388	638,919	3,661,307	2,866,855	3,661,233	74
Balances End of Year	\$ 2,657,547	\$ 678,558	\$ 3,336,105	\$ 3,045,203	\$ 2,996,784	\$ 339,321

See accompanying independent auditor’s report.

City of Sumner – Notes to Other Information – Budgetary Reporting
June 30, 2022

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,097,797. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the community and economic development, general government and debt service functions.

City of Sumner - Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Iowa Public Employees' Retirement System
 Other Information

For the Last Eight Years*

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0279483%	0.0063159%	0.0063184%	0.0065225%	0.0061866%	0.0061693%	0.0055998%	0.0053292%
City's proportionate share of the net pension liability (asset)	\$ 365,876	\$ 443,675	\$ 365,876	\$ 412,758	\$ 409,534	\$ 385,992	\$ 275,946	\$ 211,517
City's covered payroll	\$ 588,999	\$ 650,173	\$ 646,453	\$ 632,998	\$ 581,885	\$ 583,058	\$ 547,821	\$ 516,310
City's proportionate share of the net pension liability (asset) as a percentage of its coverd payroll.....	62.12%	68.24%	56.60%	65.21%	70.38%	66.20%	50.37%	40.97%
IPERS' net position as a percentage of the total pension liability (asset).....	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Sumner - Schedule of City Contributions
Iowa Public Employees' Retirement System
Other Information

For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Satutorily required contribution ...	\$ 58,508	\$ 55,807	\$ 62,143	\$ 62,174	\$ 57,818	\$ 53,150	\$ 53,496	\$ 50,607	\$ 47,550	\$ 45,526
Contributions in relation to the statutorily required contributions	<u>(58,508)</u>	<u>(55,807)</u>	<u>(62,143)</u>	<u>(62,174)</u>	<u>(57,818)</u>	<u>(53,150)</u>	<u>(53,496)</u>	<u>(50,607)</u>	<u>(47,550)</u>	<u>(45,526)</u>
Contribution Deficiency (Excess)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
City's covered payroll.....	\$ 621,507	\$ 588,999	\$ 650,173	\$ 646,453	\$ 632,998	\$ 581,885	\$ 583,058	\$ 547,821	\$ 516,310	\$ 521,782
Contributions as a percentage of covered payroll.....	9.41%	9.47%	9.56%	9.62%	9.13%	9.13%	9.18%	9.24%	9.21%	8.73%

See accompanying independent auditor's report.

City of Sumner - Notes to Other Information – Pension Liability

Year ended June 30, 2022

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

**City of Sumner - Schedule of Cash Receipts, Disbursements and Changes in Cash Balances -
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2022

	Special Revenue		Permanent Cemetery Perpetual Care	Total
	Employee Benefits	Urban Renewal Tax Increment		
Receipts				
Property tax	\$ 164,534	\$ -	\$ -	\$ 164,534
Tax increment financing	-	106,404	-	106,404
Use of money and property	-	123	129	252
Miscellaneous	-	-	1,600	1,600
Total Receipts	164,534	106,527	1,729	272,790
Disbursements				
Operating:				
Public safety	45,669	-	-	45,669
Public works	50,605	-	-	50,605
Culture and recreation	41,959	-	1,848	43,807
Community and economic development	-	26,600	-	26,600
General government	48,770	-	-	48,770
Total Disbursements	187,003	26,600	1,848	215,451
Excess (Deficiency) of Receipts Over (Under) Disbursements	(22,469)	79,927	(119)	57,339
Other Financing Sources (Uses)				
Interfund loan payment	-	(36,763)	-	(36,763)
Transfers out	-	(72,489)	-	(72,489)
Total Other Financing Sources (Uses)	-	(109,252)	-	(109,252)
Change in Cash Balances	(22,469)	(29,325)	(119)	(51,913)
Cash Balances Beginning of Year	253,965	125,635	77,405	457,005
Cash Balances End of Year	\$ 231,496	\$ 96,310	\$ 77,286	\$ 405,092
Cash Basis Fund Balances				
Non-spendable - Cemetery perpetual care	\$ -	\$ -	\$ 77,286	\$ 77,286
Restricted for:				
Urban renewal	-	96,310	-	96,310
Other purposes	231,496	-	-	231,496
Total Cash Basis Fund Balances	\$ 231,496	\$ 96,310	\$ 77,286	\$ 405,092

See accompanying independent auditor's report.

**City of Sumner - Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds**

For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Receipts:										
Property tax	\$ 963,075	\$ 947,502	\$ 876,171	\$ 891,301	\$ 930,712	\$ 944,342	\$ 841,871	\$ 804,846	\$ 774,247	\$ 694,692
Tax increment financing	106,404	119,874	91,433	61,128	77,770	87,638	63,692	84,551	72,366	111,451
Other city tax	293,148	277,847	235,544	203,308	194,719	195,248	187,912	199,546	186,479	179,508
Licenses and permits	22,644	18,083	21,005	22,264	8,969	5,756	18,692	6,586	5,565	9,271
Use of money and property	13,738	16,353	21,682	21,958	12,533	8,307	10,081	6,957	6,582	4,518
Intergovernmental	364,716	559,554	790,559	296,442	558,479	301,085	317,739	263,101	362,877	323,696
Charges for services	210,142	172,483	84,558	69,745	74,781	72,745	52,538	42,266	43,297	42,250
Special assessments	-	2,462	-	-	-	-	-	-	-	-
Miscellaneous	440,942	350,165	200,138	232,459	231,240	188,071	264,870	97,294	100,272	179,864
Total Receipts	\$ 2,414,809	\$ 2,464,323	\$ 2,321,090	\$ 1,798,605	\$ 2,089,203	\$ 1,803,192	\$ 1,757,395	\$ 1,505,147	\$ 1,551,685	\$ 1,545,250
Disbursements:										
Operating:										
Public safety	\$ 524,095	\$ 298,965	\$ 398,806	\$ 314,204	\$ 396,433	\$ 294,867	\$ 365,212	\$ 302,575	\$ 364,349	\$ 391,980
Public works	406,628	285,468	435,893	469,862	220,733	270,699	233,849	223,758	276,981	364,138
Culture and recreation	547,990	496,455	443,977	537,715	430,028	400,697	378,837	396,384	428,093	411,075
Community and economic development	212,376	54,160	820,755	140,635	140,544	92,606	28,000	36,000	29,581	193,643
General government	505,808	472,456	406,221	402,563	313,566	313,146	327,292	265,186	236,702	213,794
Debt service	292,915	240,055	64,145	139,925	190,935	141,105	86,406	80,600	138,795	239,030
Capital projects	385,815	1,492,926	2,080,643	455,380	1,187,294	-	821,131	-	-	-
Total Disbursements	\$ 2,875,627	\$ 3,340,485	\$ 4,650,440	\$ 2,460,284	\$ 2,879,533	\$ 1,513,120	\$ 2,240,727	\$ 1,304,503	\$ 1,474,501	\$ 1,813,660

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
City of Sumner

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, Iowa, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated June 12, 2023. Because the financial statements do not include data for the City's legally separate entity, Sumner Municipal Light Plant, my report expressed a qualified opinion on the aggregate discretely presented component unit and unmodified opinions on the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Sumner's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sumner's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Sumner's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Sumner's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying schedule of findings as item II-A-22 to be a material weakness.

To the Honorable Mayor and
Members of the City Council
City of Sumner
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sumner's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying schedule of findings.

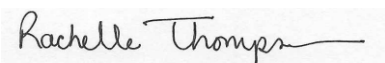
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sumner's Responses to the Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the City of Sumner's responses to the findings identified in my audit and described in the accompanying Schedule of Findings. The City of Sumner's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA

Hampton, Iowa
June 12, 2023

City of Sumner – Schedule of Findings

June 30, 2022

Part I: Summary of the Independent Auditor's Results:

- (a) With the exception of the qualified opinion on the aggregate discretely presented component unit due to the omission of the Sumner Municipal Light Plant, unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which was material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

II-A-22 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Auditor's Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City's Response – We will consider this and attempt to segregate duties where possible.

Auditor's Conclusion – Response accepted.

City of Sumner – Schedule of Findings

June 30, 2022

Part III: Other Findings Related to Required Statutory Reporting

III-A-22 Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the community and economic development, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Auditor’s Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City’s Response – The budget will be amended as required.

Auditor’s Conclusion – Response accepted.

III-B-22 Questionable Disbursements – No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-22 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-22 Business Transactions – There were no business transactions between the City and City officials or employees.

III-E-22 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

III-F-22 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-G-22 City Council Minutes – No transactions were found that I believe should have been approved in the City Council minutes but were not.

III-H-22 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

III-I-22 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-J-22 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

City of Sumner – Schedule of Findings

June 30, 2022

III-K-22 Payroll – Timesheets did not always include evidence of supervisory review. Prior to September, 2021, the police department did not maintain time cards. The chief tracked officer time and submitted total hours worked to the Clerk. During this time, it was also noted the chief authorized additional pay for officers providing security at Sumner Days.

Auditor's Recommendation – Procedures should be established to ensure all employees complete time sheets. Time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. The properly reviewed and approved time sheets should be submitted to the Clerk to use to prepare payroll. In addition, any additional pay should be approved by Council prior to payment.

City's Response – The City will establish procedures to have all time sheets reviewed by the appropriate department head and subject to the clerk.

Auditor's Conclusion – Response accepted.